

Lexington Township  
76-1150  
Sanilac County, Michigan  
Annual Financial Statements  
and  
Auditor's Report  
June 30, 2004



# AUDITING PROCEDURES REPORT

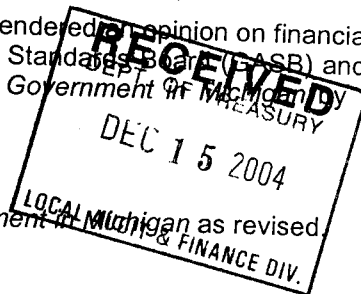
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lexington Township	County Sanilac
Audit Date 6/30/04	Opinion Date 11/4/04	Date Accountant Report Submitted to State: <i>December 14, 2004</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government of Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government of Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			
Street Address 3149 Main Street, Plaza #4		City Marlette	State MI
Accountant Signature <i>Robert Yeo</i>		ZIP 48453	

## Table of Contents

<u>Section</u>		<u>Page</u>
1	<b>List of Elected and Appointed Officials</b>	1 – 1
2	<b>Independent Auditors' Report</b>	2 – 1
3	<b>Basic Financial Statements</b>	
	Government-wide Financial Statements	
	Statement of Net Assets	3 – 1
	Statement of Activities	3 – 2
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	3 – 3
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	3 – 4
	Combined Statement of Revenues, Expenditures and Changes in Fund Balances	3 – 5
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	3 – 6
	Fiduciary Funds	
	Statement of Fiduciary Assets and Liabilities	3 – 7
	Notes to Financial Statements	3 – 8

Section

Page

4

**Required Supplemental Information**

Budgetary Comparison Schedule –General Fund

4 – 1

Budgetary Comparison Schedule – Debt Service Fund

4 – 2

5

**Other Supplemental Information**

Schedule of Revenues Compared to Budget – General Fund

5 – 1

Schedule of Expenditures Compared to Budget – General Fund

5 – 2

Lexington Township  
List of Elected and Appointed Officials  
June 30, 2004

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TOWNSHIP BOARD

GREGORY JARMOLOWICZ

SUPERVISOR

CAROLYN F. MISIAK

CLERK

SHIRLEY A. MILLER

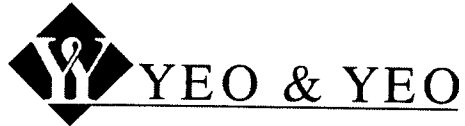
TREASURER

GERTRUDE AINSWORTH

TRUSTEE

JOHN O'HAIR

TRUSTEE



3149 Main Street, Suite Plaza #4  
Marlette, MI 48453  
Phone (989) 635-7518  
Fax (989) 635-3226

## Independent Auditors' Report

To the Township Board  
Lexington Township  
Sanilac County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lexington Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lexington Township as of June 30, 2004 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lexington Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lexington Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Yeo & Yeo, P.C.*

Marlette, Michigan  
November 4, 2004

**Lexington Township**  
**Statement of Net Assets**  
**June 30, 2004**

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<b>Assets</b>	
Cash and cash equivalents	\$ 125,757
Investments	
Restricted	134,280
Unrestricted	128,860
Accounts receivable	
Special assessments	154,045
Other	54,000
Due from other governmental units	5,595
Prepaid items	21,333
Capital assets (net)	<u>59,374</u>
<b>Total assets</b>	<b>683,244</b>
<b>Liabilities</b>	
Accounts payable	26,088
Accrued interest	2,094
Noncurrent liabilities	
Due within one year	15,730
Due in more than one year	<u>290,310</u>
<b>Total liabilities</b>	<b><u>334,222</u></b>
<b>Net Assets</b>	
Restricted for debt service	17,209
Invested in capital assets	23,374
Unrestricted	<u>308,439</u>
<b>Total net assets</b>	<b><u>\$ 349,022</u></b>

See Accompanying Notes to Financial Statements



**Lexington Township**  
**Statement of Activities**  
**For the Year Ended June 30, 2004**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Changes for Services	Operating Grants and Contributions	
<b>Primary government</b>				
Governmental activities				
General government	\$ 242,150	\$ 7,856	\$ 4,468	\$ (229,826)
Public safety	73,692	12,024	-	(61,668)
Highways and streets	85,748	7,213	-	(78,535)
Other	6,723	-	-	(6,723)
Liquor law enforcement	-	-	825	825
Debt service	-	10,768	-	10,768
Capital outlay (noncapitalized)	4,299	-	-	(4,299)
Interest on long-term debt	15,320	-	-	(15,320)
Depreciation - unallocated	5,067	-	-	(5,067)
<b>Total governmental activities</b>	<b>\$ 432,999</b>	<b>\$ 37,861</b>	<b>\$ 5,293</b>	<b>(389,845)</b>
General revenues				
Property taxes				125,036
State shared revenue				174,431
Unrestricted investment earnings				1,833
Franchise fees				3,416
Miscellaneous				615
<b>Total general revenues and transfers</b>				<b>305,331</b>
Change in net assets				(84,514)
Net assets - beginning				433,536
Net assets - ending				<b>\$ 349,022</b>

See Accompanying Notes to Financial Statements

**Lexington Township**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

	General Fund	Debt Service Fund	Nonmajor Fund	Total
<b>Assets</b>				
Cash	\$ 125,735		\$ 22	\$ 125,757
Investments	128,860	134,280	-	263,140
Accounts receivable				
Special assessments	57,178	96,867	-	154,045
Other	5,020	48,980	-	54,000
Prepaid items	21,333		-	21,333
Due from other governmental units	-	5,595	-	5,595
Due from other funds	836	1,527	-	2,363
<b>Total assets</b>	<b>\$ 338,962</b>	<b>\$ 287,249</b>	<b>\$ 22</b>	<b>\$ 626,233</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 26,088	\$ -	\$ -	\$ 26,088
Due to other funds	1,527	836	-	2,363
Deferred revenue	57,178	145,847	-	203,025
<b>Total liabilities</b>	<b>84,793</b>	<b>146,683</b>	<b>-</b>	<b>231,476</b>
<b>Fund Balance</b>				
Reserved for debt service	-	140,566	-	140,566
Board designated	54,225	-	-	54,225
Unreserved	199,944	-	22	199,966
<b>Total fund balance</b>	<b>254,169</b>	<b>140,566</b>	<b>22</b>	<b>394,757</b>
<b>Total liabilities and fund balance</b>	<b>\$ 338,962</b>	<b>\$ 287,249</b>	<b>\$ 22</b>	<b>\$ 626,233</b>

See Accompanying Notes to Financial Statements

**Lexington Township**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds to the Statement of Net Assets**  
**June 30, 2004**

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**Total fund balances for governmental funds**

\$ 394,757

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  
These assets consist of:

Capital assets at cost	117,815	
Accumulated depreciation	<u>(58,441)</u>	59,374

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.  
Deferred revenue is not reported in the statement of net assets since this revenue was earned.

Balances as of June 30, 2004 are as follows:

Capital lease payable	(36,000)	
Accrued interest	(2,094)	
Bonds payable	(270,040)	
Deferred revenue	<u>203,025</u>	<u>(105,109)</u>

**Net assets of governmental activities**

**\$ 349,022**

See Accompanying Notes to Financial Statements

**Lexington Township**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Revenues				
Taxes and penalties	\$ 125,036	\$ -	\$ -	\$ 125,036
State grants	174,431	-	825	175,256
Charges for services	36,664	9,820	-	46,484
Interest	1,833	10,768	-	12,601
Other revenue	8,499	15,025	-	23,524
	<u>346,463</u>	<u>35,613</u>	<u>825</u>	<u>382,901</u>
Total revenues				
Expenditures				
General government	242,150	-	-	242,150
Public safety	73,692	-	-	73,692
Highways and streets	85,748	-	-	85,748
Other	10,031	-	-	10,031
Capital outlay	4,299	-	-	4,299
Debt service	-	26,067	-	26,067
	<u>415,920</u>	<u>26,067</u>	<u>-</u>	<u>441,987</u>
Total expenditures				
Excess of revenues over expenditures	<u>(69,457)</u>	<u>9,546</u>	<u>825</u>	<u>(59,086)</u>
Other financing sources (uses)				
Transfers in	825	-	-	825
Transfers out	-	-	(825)	(825)
	<u>825</u>	<u>-</u>	<u>(825)</u>	<u>-</u>
Total other financing sources and uses				
Net change in fund balance	<u>(68,632)</u>	<u>9,546</u>	<u>-</u>	<u>(59,086)</u>
Fund balance - beginning	<u>322,801</u>	<u>131,020</u>	<u>22</u>	<u>453,843</u>
Fund balance - ending	<u>\$ 254,169</u>	<u>\$ 140,566</u>	<u>\$ 22</u>	<u>\$ 394,757</u>

See Accompanying Notes to Financial Statements

**Lexington Township**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2004**

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	<u>Primary Government</u>
<b>Net change in fund balances - total governmental funds</b>	\$ (59,086)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Depreciation	(5,067)
<p>Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>	
Repayments of long-term debt	13,960
Change in deferred revenue	(34,416)
<p>Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>	
Change in accrued interest	<u>95</u>
<b>Change in net assets of government activities</b>	<u>\$ (84,514)</u>

See Accompanying Notes to Financial Statements

Lexington Township  
Fiduciary Funds  
Statement of Fiduciary Assets and Liabilities  
June 30, 2004

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Assets	
Cash	<u>\$ 1,142</u>
Liabilities	
Due to other governmental units	<u>\$ 1,142</u>

**Lexington Township**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lexington Township became a Township in 1876 and is located in Sanilac County. The Township is operated under a Township Board consisting of five (5) members. The Township provides various services to approximately 3,000 residents.

The accounting policies of the Lexington Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**Government-wide and fund financial statements**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the financial activities of the overall government. For the most part, the effect of interfund activities has been removed from these statements. All of the Township's activities are classified as governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

The fund financial statements provide information about the Township's funds. The Township only has governmental funds. The emphasis of fund financial statements is on major governmental funds with all remaining governmental funds aggregated and reported as nonmajor funds.

**Reporting entity**

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Township is the primary government, which has oversight responsibility and control over all activities. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and does not include any other component within its basic financial statements.

**Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of

**Lexington Township**  
**Notes to Financial Statements**  
**June 30, 2004**

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the current period. For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Additionally, the Township reports the following:

- The Liquor Fund is used to account for revenues derived from specific sources which are required by law or regulation to be accounted for in a separate fund.
- The Trust and Agency Fund is used to account for property tax and other deposits collected on behalf of other units and individuals.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Property tax revenue**

Lexington Township's property tax is assessed as of December 31 and the related taxes become a lien on December of the following year. These taxes are due on February 14 with the final collection date of February 14, before they are added to the County tax rolls.

These amounts are recognized in the respective General, Special Revenue and Debt Service Funds financial statements as tax revenue.

**Assets, liabilities and net assets or equity**

*Cash and investments* – The Township has defined cash and cash equivalents to include cash on hand, demand deposits and short-term investments with a maturity of three (3) months or less when acquired. Investments are stated at fair value (quoted market price or the best available estimate).

*Receivables and payable* – In general, outstanding balances between funds are reported as "due to/from other fund." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.



**Lexington Township**  
**Notes to Financial Statements**  
**June 30, 2004**

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*Inventories and prepaid items* – Inventories are insignificant and are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital assets* – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township began recording governmental infrastructure constructed on or after July 1, 2003 as allowed by GASB 34.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives.

Buildings	40 to 60 years
Building improvements	15 to 30 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

*Long-term obligations* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

*Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **NOTE 2 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated one bank for deposit of local unit funds. The investment policy adopted by the Council authorized all of the investments allowable under Michigan law.

The Lexington Township deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investment were reported in the basic financial statements in the following categories:

**Lexington Township**  
**Notes to Financial Statements**  
**June 30, 2004**

	Cash and Cash Equivalents	Investments	Restricted Investments
Governmental activities	\$ 125,757	\$ 128,860	\$ 134,280
Trust and Agency Funds	<u>1,142</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 126,899</u>	<u>\$ 128,860</u>	<u>\$ 134,280</u>

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 126,899
Investments in securities, mutual funds and similar vehicles	<u>263,140</u>
Total	<u>\$ 390,039</u>

**Deposits**

At year end, the carrying amount of the Township's deposits with financial institutions was \$126,899 and the bank balance was \$172,133. Of the bank balance, \$172,133 was covered by federal depository insurance.

**Investments**

Township investments can be classified into three categories to give an indication of the level of risk assumed by the Township. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agency in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agency in the Township's name. Category 3 includes uninsured and

unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name.

The Township's investments of \$263,140 are invested in CADRE Institutional Investors Trust at year end and are not classified.

**NOTE 3 - RECEIVABLES**

Receivables as of year end for the government's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Total
Accounts	5,020	48,980	54,000
Special assessments	57,178	96,867	154,045
Intergovernmental	<u>-</u>	<u>5,595</u>	<u>5,595</u>
Total receivables	<u>\$ 62,198</u>	<u>\$ 151,442</u>	<u>\$ 213,640</u>

The allowance for all receivables at year end is zero, because all are expected to be collected.

**Lexington Township**  
**Notes to Financial Statements**  
**June 30, 2004**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due	154,045	-
Connection fees	48,980	-
<b>Total</b>	<b>\$ 203,025</b>	<b>\$ -</b>

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets being depreciated				
Buildings	\$ 87,977	\$ -	\$ -	\$ 87,977
Improvements other than buildings	4,420	-	-	4,420
Computers and equipment	25,418	-	-	25,418
Capital assets being depreciated	117,815	-	-	117,815
Less accumulated depreciation for				
Buildings	34,770	1,760	-	36,530
Improvements other than buildings	884	221	-	1,105
Computers and equipment	17,720	3,086	-	20,806
Accumulated depreciation	53,374	5,067	-	58,441
<b>Governmental activities capital assets, net</b>	<b>\$ 64,441</b>	<b>\$ (5,067)</b>	<b>\$ -</b>	<b>\$ 59,374</b>

Depreciation expense for the fiscal year ended June 30, 2004 amounted to \$5,067. The Township determined that it was impractical to allocate depreciation to the various activities as the assets serve multiple functions.

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 836	To account for expense paid by General Fund on behalf of Debt Service.
Debt Service	General Fund	1,527	To account for revenue received by General Fund and due to Debt Service.
		<u>\$2,363</u>	

**Interfund transfers**

	<u>Transfers (Out) Liquor Fund</u>	<u>Purpose</u>
Transfers In General Fund	\$ 825	Liquor Law Enforcement

**NOTE 6 - LONG-TERM DEBT**

The Township issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township

**Lexington Township**  
**Notes to Financial Statements**  
**June 30, 2004**

is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the Township) are received.

Long-term obligation activity is summarized as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
Bonds payable - water general obligation - 4.05% - due 5/1/18	\$ 282,600	\$ -	\$ 12,560	\$ 270,040	\$ 14,130
Long-term lease payable - 5% - due 6/1/20	37,400	-	1,400	36,000	1,600
	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 13,960</u>	<u>\$ 306,040</u>	<u>\$ 15,730</u>

The general obligation bonds were established during the year ended June 30, 1999 when the Township entered into an agreement with Worth Township to set up and fund a utilities authority to provide water service to residents of the Townships. The Authority was set up and funded through bonds sold by the County and guaranteed by the townships. Lexington Township has a 31.4% interest in the authority and therefore has guaranteed that amount of the bonded debt. The transactions are reflected in the Debt Service Fund.

The Township established a special assessment district and a water connection district. Residents in these districts pay a \$4,900 fee that may be amortized over twenty (20) years. The interest rate is 5.9%.

The following is a schedule, by years, of future principal and interest payments on the outstanding bond issue.

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2005	\$ 14,130	\$ 12,860	\$ 26,990
2006	14,130	12,231	26,361
2007	15,700	11,602	27,302
2008	15,700	10,896	26,596
2009	17,270	10,190	27,460
2010-2014	100,480	38,034	138,514
2015-2019	92,630	11,780	104,410
Total	<u>\$ 270,040</u>	<u>\$ 107,593</u>	<u>\$ 377,633</u>

The Village of Lexington Building Authority was created in 1979 to facilitate the financing, construction and operation of a municipal building in the Village for the use of both the Village and Township of Lexington. General obligation bonds in the amount of \$285,000 with interest at five percent (5%) per annum were issued under the provision of Act No. 31, Public Acts of Michigan, 1948 as amended. Financing of the Authority, to include debt retirement and operational expenses, will consist of the Village contributing eighty percent (80%) and the Township twenty percent (20%). Upon the retirement of the construction bonds which financed the facility, or at the time title is transferred to the Village, the Village will convey a tenancy in common to the Township reflecting a twenty percent (20%) interest to the Township.

**Lexington Township**  
**Notes to Financial Statements**  
**June 30, 2004**

The following is a schedule, by years, of future minimum lease payments the Township is required to pay to retire twenty percent (20%) of the bond issue.

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,600	\$ 1,800	\$ 3,400
2006	1,600	1,720	3,320
2007	1,600	1,640	3,240
2008	1,800	1,560	3,360
2009	1,800	1,470	3,270
2010-2014	10,800	5,870	16,670
2015-2019	13,800	2,870	16,670
2020-2024	<u>3,000</u>	<u>150</u>	<u>3,150</u>
Total	<u>\$ 36,000</u>	<u>\$ 17,080</u>	<u>\$ 53,080</u>

The transactions of the Building Authority are subject to a separate audit and are not included in this report.

Following is a summary of financial data pertaining to the Village of Lexington Building Authority as of and for the year ended June 30, 2004:

	<u>Government-wide</u>
Assets	<u>\$ 266,234</u>
Liabilities	<u>\$ 180,000</u>
Net assets	<u>86,234</u>
	<u>\$ 266,234</u>
Revenues and transfers	<u>\$ 43,787</u>
Expenditures and transfers	<u>36,935</u>
Increases in net assets	<u>\$ 6,852</u>

**NOTE 7 - PENSION PLAN**

The Township of Lexington contributes to the basic Michigan Township Association Pension Plan which is a defined contribution multi-employer pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participant's benefits that may be allocated to such participant's account.

Contributions made by the Township are 100% vested after twenty months of service. The Township is required to contribute ten percent (10%) of an eligible employee's wages paid. An employee is eligible if he or she is over eighteen (18) years old. Employees are eligible for retirement benefits at age sixty-five (65) and may elect early retirement at age fifty-five (55).

The Township's current year covered payroll and its total current year payroll for all employees amounted to \$80,183 and \$115,122, respectively.

During the year the Township's required and actual contributions amounted to \$9,533. This amount includes administration fees.

**NOTE 8 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The Township had expenditures in excess of budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
General Fund Public Safety	<u>\$80,116</u>	<u>\$85,748</u>	<u>\$ 5,632</u>

**Lexington Township**  
**Notes to Financial Statements**  
**June 30, 2004**

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**NOTE 9 - ACCOUNTING AND REPORTING CHANGE**

**GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The Lexington Township has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Township has elected to implement both the general provisions of the statement and the prospective reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.
- Capital assets in the governmental activities column of the statement of net assets include assets totaling approximately \$117,815 that would previously have been reported in the General Fixed Assets Account Group. This amount is recorded net of \$58,441 of accumulated depreciation at year end in the basic financial statement.
- The governmental activities column includes bonds and other long-term obligations totaling \$306,040 previously reported in the General Long-Term Debt Account Group.

**NOTE 10 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The Township is a member of the Michigan Municipal Liability and Property Pool. This pool provides for substantially all of the insurance needs of the Township, including property, general liability and comprehensive crime coverage. Under most circumstances, the Township maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Deductible Per Occurrence</u>
General Liability	\$ -
Property coverage	250

The Township has purchased commercial insurance for all workers' compensation claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

**NOTE 11 - CONTINGENCIES**

In the normal course of activities, the Township is a party to various legal actions. After taking into consideration legal Counsel's evaluation of pending actions, the Township is of the opinion that the outcome thereof will not have a material effect on the financial statements

**NOTE 12 - DESIGNATED FUND BALANCE**

The Township Board has designated \$54,225 of fund balance for bridge repairs and replacements.

**Lexington Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes and penalties	\$ 124,107	\$ 124,107	125,036	\$ 929
State grants	203,000	203,000	174,431	(28,569)
Charges for services	36,605	36,605	36,664	59
Interest	3,000	3,000	1,833	(1,167)
Other revenue	11,000	11,000	8,499	(2,501)
Total revenues	<u>377,712</u>	<u>377,712</u>	<u>346,463</u>	<u>(31,249)</u>
Expenditures				
Current				
General government	261,086	261,086	242,150	(18,936)
Public safety	81,736	81,736	73,692	(8,044)
Highways and streets	80,116	80,116	85,748	5,632
Other	16,171	16,171	10,031	(6,140)
Capital outlay	21,600	21,600	4,299	(17,301)
Total expenditures	<u>460,709</u>	<u>460,709</u>	<u>415,920</u>	<u>(44,789)</u>
Excess (deficiency) of revenues over expenditures	<u>(82,997)</u>	<u>(82,997)</u>	<u>(69,457)</u>	<u>13,540</u>
Other financing sources (uses) - transfers in	<u>800</u>	<u>800</u>	<u>825</u>	<u>25</u>
Net change in fund balance	<u>(82,197)</u>	<u>(82,197)</u>	<u>(68,632)</u>	<u>13,565</u>
Fund balance - beginning	<u>322,801</u>	<u>322,801</u>	<u>322,801</u>	<u>-</u>
Fund balance - ending	<u>\$ 240,604</u>	<u>\$ 240,604</u>	<u>\$ 254,169</u>	<u>\$ 13,565</u>

**Lexington Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**Year Ended June 30, 2004**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Charges for services	\$ 4,165	\$ 4,165	\$ 9,820	\$ 5,655
Interest	10,974	10,974	10,768	(206)
Other revenue	7,105	7,105	15,025	7,920
Total revenues	22,244	22,244	35,613	13,369
Expenditures				
Debt service	26,620	26,620	26,067	(553)
Net change in fund balance	(4,376)	(4,376)	9,546	13,922
Fund balance - beginning	131,020	131,020	131,020	-
Fund balance - ending	\$ 126,644	\$ 126,644	\$ 140,566	\$ 13,922



**Lexington Township**  
**Other Supplemental Information**  
**Schedule of Revenues Compared to Budget**  
**General Fund**  
**Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Taxes and penalties				
Property taxes	\$ 88,175	\$ 88,175	\$ 94,405	\$ 6,230
Administrative fee	31,000	31,000	25,496	(5,504)
Property tax interest	3,000	3,000	3,350	350
Trailer park tax	1,932	1,932	1,785	(147)
Total taxes	<u>124,107</u>	<u>124,107</u>	<u>125,036</u>	<u>929</u>
Intergovernmental				
State shared revenue	<u>203,000</u>	<u>203,000</u>	<u>174,431</u>	<u>(28,569)</u>
Charges for services				
Special assessments	13,005	13,005	14,052	1,047
Fees and permits	7,300	7,300	7,856	556
Fire and rescue runs	13,000	13,000	12,024	(976)
Weed cutting	3,300	3,300	2,732	(568)
Total charges for services	<u>36,605</u>	<u>36,605</u>	<u>36,664</u>	<u>59</u>
Interest	<u>3,000</u>	<u>3,000</u>	<u>1,833</u>	<u>(1,167)</u>
Other revenue				
Miscellaneous	1,611	1,611	615	(996)
Cable franchise fees	4,500	4,500	3,416	(1,084)
Metro authority maintenance	4,889	4,889	4,468	(421)
Total other revenue	<u>11,000</u>	<u>11,000</u>	<u>8,499</u>	<u>(2,501)</u>
Operating transfers in				
Other funds	<u>800</u>	<u>800</u>	<u>825</u>	<u>25</u>
Total revenues and operating transfers in	<u>\$ 378,512</u>	<u>\$ 378,512</u>	<u>\$ 347,288</u>	<u>\$ (31,224)</u>

**Lexington Township**  
**Other Supplemental Information**  
**Schedule of Expenditures Compared to Budget**  
**General Fund**  
**Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
General government				
Township board				
Salaries	\$ 4,660	\$ 4,660	\$ 4,660	\$ -
Fringe benefits	357	357	3,786	3,429
Pension	9,000	9,000	9,533	533
Office supplies	2,000	2,000	630	(1,370)
Membership and dues	2,100	2,100	4,616	2,516
Education and training	500	500	430	(70)
Recreation program	1,380	1,380	1,380	-
Economic development	2,584	2,584	2,584	-
Audit	3,350	3,350	6,290	2,940
Legal fees	7,000	7,000	3,836	(3,164)
Mileage	250	250	289	39
Telephone	2,400	2,400	2,991	591
Postage	7,056	7,056	5,815	(1,241)
Printing and publishing	1,000	1,000	224	(776)
Computer expense	1,000	1,000	1,556	556
Insurance	8,000	8,000	11,836	3,836
Office equipment and equipment maintenance	3,850	3,850	2,642	(1,208)
Miscellaneous	8,950	8,950	3,988	(4,962)
Tax tribunal and other refunds	5,750	5,750	844	(4,906)
Total township board	71,187	71,187	67,930	(3,257)

**Lexington Township**  
**Other Supplemental Information**  
**Schedule of Expenditures Compared to Budget**  
**General Fund**  
**Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Supervisor				
Salaries	\$ 6,220	\$ 6,220	\$ 5,961	\$ (259)
Fringe benefits	476	476	258	(218)
Office supplies	100	100	13	(87)
Membership and dues	150	150	50	(100)
Mileage	400	400	156	(244)
Miscellaneous	100	100	-	(100)
Education and training	100	100	50	(50)
Total supervisor	<u>7,546</u>	<u>7,546</u>	<u>6,488</u>	<u>(1,058)</u>
Clerk's staff				
Salaries	37,797	37,797	40,351	2,554
Fringe benefits	7,693	7,693	7,646	(47)
Office supplies	200	200	419	219
Membership and dues	200	200	325	125
Mileage	200	200	118	(82)
Printing and publishing	50	50	-	(50)
Miscellaneous	100	100	-	(100)
Total clerk's staff	<u>46,240</u>	<u>46,240</u>	<u>48,859</u>	<u>2,619</u>

**Lexington Township**  
**Other Supplemental Information**  
**Schedule of Expenditures Compared to Budget**  
**General Fund**  
**Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Assessor				
Salaries	\$ 32,833	\$ 32,833	\$ 31,165	\$ (1,668)
Fringe benefits	7,315	7,315	5,681	(1,634)
Office supplies	2,000	2,000	2,044	44
Membership and dues	1,575	1,575	55	(1,520)
Mileage	1,500	1,500	1,625	125
Data processing	2,000	2,000	3,107	1,107
Printing and publishing	500	500	156	(344)
Education and training	3,500	3,500	1,698	(1,802)
Reappraisal and related expense	22,000	22,000	24,150	2,150
Miscellaneous	50	50	337	287
Total assessor	<u>73,273</u>	<u>73,273</u>	<u>70,018</u>	<u>(3,255)</u>
Election				
Salaries	5,000	5,000	-	(5,000)
Office supplies	2,000	2,000	137	(1,863)
Education and training	500	500	20	(480)
Mileage	300	300	195	(105)
Printing and publishing	1,500	1,500	-	(1,500)
Miscellaneous	300	300	150	(150)
Total election	<u>9,600</u>	<u>9,600</u>	<u>502</u>	<u>(9,098)</u>

**Lexington Township**  
**Other Supplemental Information**  
**Schedule of Expenditures Compared to Budget**  
**General Fund**  
**Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Treasurer				
Salaries	\$ 16,791	\$ 16,791	\$ 20,399	\$ 3,608
Fringe benefits	9,886	9,886	8,028	(1,858)
Office supplies	500	500	1,443	943
Membership and dues	-	-	50	50
Mileage	250	250	304	54
Data processing	6,000	6,000	3,216	(2,784)
Printing and publishing	100	100	64	(36)
Education and training	450	450	360	(90)
Miscellaneous	50	50	20	(30)
Total treasurer	<u>34,027</u>	<u>34,027</u>	<u>33,884</u>	<u>(143)</u>
Zoning				
Salaries	14,503	14,503	11,793	(2,710)
Fringe benefits	1,110	1,110	517	(593)
Office supplies	100	100	13	(87)
Mileage	300	300	328	28
Printing and publishing	1,050	1,050	600	(450)
Education and training	1,000	1,000	130	(870)
Miscellaneous	1,150	1,150	1,088	(62)
Total zoning	<u>19,213</u>	<u>19,213</u>	<u>14,469</u>	<u>\$ (4,744)</u>
Total general government	<u>261,086</u>	<u>261,086</u>	<u>242,150</u>	<u>(18,936)</u>

**Lexington Township**  
**Other Supplemental Information**  
**Schedule of Expenditures Compared to Budget**  
**General Fund**  
**Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Ambulance	\$ 10,336	\$ 10,336	\$ 10,982	\$ 646
Fire contracts	14,500	14,500	17,300	2,800
Fire and rescue runs	21,200	21,200	10,410	(10,790)
Cops road patrol	35,700	35,700	35,000	(700)
Total public safety	81,736	81,736	73,692	(8,044)
Highways and streets				
Salaries	850	850	742	(108)
Fringe benefits	66	66	309	243
Street lighting	2,500	2,500	2,373	(127)
Gravel and chloride	45,000	45,000	73,456	28,456
Road construction	10,200	10,200	900	(9,300)
Weed control and mowing	3,000	3,000	2,604	(396)
Bike path	2,500	2,500	2,500	-
Ditch improvements	16,000	16,000	2,864	(13,136)
Total highways and streets	80,116	80,116	85,748	5,632
Other expenditures				
Building maintenance	12,866	12,866	6,723	(6,143)
Lease payments	3,305	3,305	3,308	3
Total other expenditures	16,171	16,171	10,031	(6,140)
Capital outlay				
General government	21,600	21,600	4,299	(17,301)
Total expenditures	\$ 460,709	\$ 460,709	415,920	\$ (44,789)